

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

DOCKET NO. S-03150A-02-0000

DECISION NO. 65227

**ORDER TO CEASE AND DESIST,
ORDER OF RESTITUTION, ORDER
FOR ADMINISTRATIVE PENALTIES:
RESPONDENT M-CORP
INTERNATIONAL, LTD.**

**RESPONDENT
INTERNATIONAL, LTD.**

On February 26, 2002, the Securities Division of the Arizona Corporation Commission filed a Notice of Opportunity for Hearing Regarding Proposed Order of Relief against M-Corp

1 International, Ltd. ("MCIL"). The Notice specified that MCIL would be afforded an opportunity
2 for an administrative hearing regarding this matter upon filing a written request with Docket
3 Control of the Commission within ten days of receipt of the Notice. MCIL failed to request a
4 hearing within the required time.

5 **I.**

6 **FINDINGS OF FACT**

7 1. M-CORP INTERNATIONAL, LTD. ("MCIL") is a Turks and Caicos corporation,
8 located at 5221 Southern Hills, Frisco, Texas 75034. M-Corp was served with a Notice for
9 Opportunity on . M-Corp did not request a hearing.

10 2. From on or about April 15, 1996 through present, the Respondents MCIL, NETGO,
11 INC., SDIC PARTNERSHIP ("SDIC"), CAMELBACK, LTD. ("CAMELBACK"), M-CORP
12 INTERNATIONAL, NORMAN MICHAEL MILLER and NEIL DENNIS LEWIS (collectively
13 "RESPONDENTS") offered for sale and sold interests in SDIC and CAMELBACK within or from
14 Arizona to investors. The offering materials indicated that the invested funds were to be pooled
15 and used in a program directed by RESPONDENTS alleged to create very high profits. At present,
16 RESPONDENTS have obtained funds from at least 100 investors, in the principal amount of
17 \$2,785,000.

18 3. LEWIS created a marketing organization known as International Mergers and
19 Acquisitions ("IMA"). IMA recruits members for a fee. Once a person becomes a member of
20 IMA, it can attend training seminars and obtain referrals for work in the area of the members'
21 expertise. The referrals come from other IMA representatives or through LEWIS. IMA alleges
22 that it has at least 55 members throughout the world.

23 4. RESPONDENTS sent numerous materials regarding investment programs to IMA
24 members. The materials regarding the investments stated that all investors' funds would be
25 completely safe, with a guaranteed rate of return, as the funds would be backed by a guarantee
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1 from a "Prime Bank." The materials stated that those funds would remain in a bank or brokerage
2 account and be used to generate a line of credit that would then be traded, returning profits. The
3 materials claimed that the investor had no risk and would be in control of their investment at all
4 times. RESPONDENTS claimed that due to weekly trading and compounding, returns would start
5 at 60%. RESPONDENTS called the program a Credit Enhancement Loan Program, although
6 these programs were also known as roll programs or prime bank loan programs.

7 5. Between April 1996 and June 18, 1996, SDIC and LEWIS had raised \$300,000
8 from members of IMA to invest in a high return loan program. Subsequently, on September 25,
9 1996, SDIC and LEWIS placed the \$300,000 in funds into another alleged high return loan
10 program. SDIC and LEWIS promised investors that there would be a 100% annual return, with
11 collateral of 110% invested in "U.S. Treasuries." SDIC and LEWIS also promised that the funds
12 would be deposited with "a major accounting firm." MILLER also joined in that program, and
13 assisted SDIC and LEWIS in arranging the investment. On October 16, 1996, SDIC, LEWIS and
14 MILLER wired \$300,000 from the bank account in Arizona to a Texas bank to invest in a prime
15 bank program. On July 30, 1997, SDIC and LEWIS requested that the \$300,000 be returned. The
16 funds were then refunded to SDIC.

17 6. MILLER then suggested that SDIC and LEWIS join in another high yield
18 investment program. SDIC signed a "Private Placement Agreement" with MCIL on July 29, 1997.
19 MILLER signed on behalf of MCIL as its Registered Agent.

20 7. MILLER appeared at IMA meetings in 1997 and 1998 which he discussed the
21 program and informed the potential investors about it. MILLER informed investors that there was
22 no risk to any principal invested in the program. He informed investors that the money already
23 invested was held in Certificates of Deposit and were pledged as collateral in the program. That
24 was untrue as in fact funds were misused for other purposes.

25 8. SDIC, LEWIS, MILLER, MCIL and M-CORP. put the \$300,000 they had raised
26 from investors into that program, plus \$200,000 more that RESPONDENTS had solicited from

1 investors. RESPONDENTS informed investors that they were “piggy-backed” with a
2 \$650,000,000 investor. LEWIS informed investors that the program would continue until January
3 or February 1999. RESPONDENTS then sent a report to the investors promising that the
4 \$300,000 invested, if compounded, would yield \$164,829,450 in one year.

5 9. LEWIS formed NETGO in 1998. It ostensibly was created to replace LEWIS as an
6 investment administrator for the prime bank scheme. NETGO allegedly had the SDIC investors
7 issue powers of attorney to it to act as the administrator of the investment and the investment
8 proceeds. Some of the money for the scheme went through the NETGO bank account.

9 10. SDIC, LEWIS, MILLER, NETGO, MCIL and M-CORP. continued to raise money
10 from investors. Between December 15, 1997 and April 13, 1998, RESPONDENTS raised
11 \$1,659,000 from investors, many of whom were members of IMA or referred by other IMA
12 members. That sum was deposited in SDIC and NETGO bank accounts, and then wired to a M-
13 CORP. bank account in Texas. From that account, the funds were wired to a foreign bank account.

14 11. On April 13, 1998, SDIC and LEWIS entered into an Amendment to the Private
15 Placement Agreement with MCIL, with MILLER signing as the “Registered Agent” of MCIL,
16 acknowledging that SDIC had now put \$2,159,000 into the program.

17 12. Investors then received materials from RESPONDENTS and signed an agreement,
18 amending their previous agreement described *supra*, that stated:

19 “The sole business objective of the Agreement [with MCIL] is the investment of
20 funds into a high yield trading program involving the trading of instruments of
21 U.S. Government Security. The Security is a 90-day Treasury Bill that will be for
22 the principal amount of the funds, plus twenty-percent (20%).” The agreement
23 went on to state, “Participant shall be entitled, on a best efforts basis, to receive a
24 projected profit yield based on the [amount] invested which will be utilized with
25 the other S.D.I.C. Partnership funds to purchase 90-day U.S. Treasuries as
26 follows:

1 Each transaction (contract) shall be for 120% of the principal amount in 90-
2 day Treasury Bills, which will be immediately liquidated on a discount yield to
3 maturity basis for 96.5%. 50% of the profit yield will be retained by S.D.I.C.
4 Partnership and utilized along with the principal into another contract. The profit
5 yields and principal will be compounded into approximately 40 contracts over a
6 12-month period. (NOTE: the other 50% will go to the Facilitator/Program.)”

7 13. RESPONDENTS sent out weekly updates to program members, informing them
8 that they were receiving a return of 9.67% per contract. Each contract lasted one week according
9 to the reports to investors. RESPONDENTS stated that the investment was receiving an
10 annualized return of over 500% per annum.

11 14. In December 1998, RESPONDENTS proposed that the investors exchange their
12 partnership interests in SDIC to stock interests in CAMELBACK. Investors were told that to
13 remain with the program they had to become a CAMELBACK stockholder, otherwise their
14 principal would be returned to them. The investors were also told that the \$2,159,000 invested in
15 SDIC was now worth over \$96,000,000. That information was false. All investors then agreed
16 that their partnership interests in SDIC would be exchanged for stock in CAMELBACK.

17 15. According to LEWIS, all communication of the program came through MILLER,
18 including the location of the funds, allegedly somewhere in Europe, the bank involved, which
19 LEWIS claimed was unknown by him, and the returns. RESPONDENTS in turn disseminated this
20 information to the investors. According to the information that RESPONDENTS have
21 disseminated, the investors have received astronomical returns. No investor has received any
22 documentation sufficient to independently verify the returns actually exist. No trading market for
23 discounted debt instruments from major banks that generated very high profits with no risk to the
24 investor exists.

25 16. In 2001, LEWIS filed a lawsuit against MILLER. Subsequent to the lawsuit, he
26 solicited funds from the investors, ostensibly to fund the lawsuit. Upon information and belief, he

1 informed investors that those investors who provided him with those additional funds would
 2 receive priority in any recovery from the investment and/or the lawsuit. Since this action was filed,
 3 the MILLER RESPONDENTS have paid \$3,000,000 to be distributed to the investors.

4 17. MILLER was convicted in Texas in 1991 of securities fraud and theft. He did not
 5 inform investors of his criminal record.

6 II.

8 CONCLUSIONS OF LAW

9 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
 10 Arizona Constitution and the Securities Act.

11 2. MCIL offered or sold securities within or from Arizona, within the meaning of
 12 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

13 3. MCIL violated A.R.S. § 44-1841 by offering or selling securities that were neither
 14 registered nor exempt from registration.

15 4. MCIL violated A.R.S. § 44-1842 by offering or selling securities while neither
 16 registered as dealers or salesmen nor exempt from registration.

17 5. MCIL violated A.R.S. § 44-1991 by offering or selling securities within or from
 18 Arizona by (a) employing a device, scheme or artifice to defraud, (b) making untrue statements or
 19 misleading omissions of material facts, and (c) engaging in transactions, practices or courses of
 20 business which operate or would operate as a fraud or deceit.

21 6. MCIL's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-
 22 2032.

23 7. MCIL's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

24 8. MCIL's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

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III.**ORDER**

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3 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, the Commission
4 finds that the following relief is appropriate, in the public interest, and necessary for the protection
5 of investors:

6 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that MCIL, its agents, employees,
7 successors and assigns, permanently cease and desist from violating the Securities Act.

8 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that \$3,000,000 in restitution
9 having been paid to investors, MCIL, shall, jointly and severally with all other Respondents in this
10 action against whom an Order is issued, pay remaining restitution to investors shown on the
11 records of the Commission. Payment shall be made in the amount of \$250,000 to investors pro
12 rata on March 26, 2003, and each anniversary of March 26, commencing on March 26, 2004, until
13 either all investors are paid all principal and interest accrued at the rate of ten percent per annum
14 on their investment or until investors have received total payments of \$4,500,000.

15 Payment shall be made to the trust fund of David T. Bonfiglio, to be distributed by that
16 attorney to the investors. MILLER, M-Corp or MCIL shall provide evidence of payment to the
17 Commission within 24 hours of transmittal of payment to the trust fund of David T. Bonfiglio. In
18 the event any required payment is not received by David T. Bonfiglio within five business days of
19 the date due, any outstanding balance of principal and accrued interest may be deemed in default
20 and shall be immediately due and payable to the state of Arizona.

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IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that MCIL, jointly and severally with M-Corp and MILLER, shall pay an administrative penalty in the amount of \$30,000, payable to the "State of Arizona." Payment shall be made in full by cashier's check or money order on the date of this Order. Any amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2002.

BRIAN C. McNEIL
Executive Secretary

DISSENT

This document is available in alternative formats by contacting Shelly M. Hood, Executive Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail shood@cc.state.az.us.

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